PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFOR

Order Instituting Rulemaking Regarding Policies, Procedures and Incentives for Distributed Generation and Distributed Energy Resources.

02-27-08 04:59 PM

Rulemaking 04-03-017 (Filed March 16, 2004)

REPLY OF FUELCELL ENERGY, INC. TO DEBENHAM ENERGY, LLC COMMENTS OPPOSING FCE MOTION FOR LEAVE TO FILE CONFIDENTIAL MATERIAL UNDER SEAL AND FOR PROTECTIVE ORDER

FuelCell Energy, Inc. ("FCE") respectfully submits this reply to Debenham

Energy, LLC ("Debenham") comments opposing FCE's motion for confidential

treatment of production cost data provided in support of the Amended Petition for

Modification filed on February 8, 2008. Administrative Law Judge Duda has by email

communication granted FCE leave to file this reply. FCE urges the Commission to reject

Debenham's comments and to grant FCE's motion.

The confidential data in question consists in its entirety of six figures in a table illustrating system cost comparisons and economies of scale. The redacted numbers show FuelCell Energy's actual and projected costs for fuel cell systems, installation costs and renewable fuel treatment system. In its Motion, FCE explained that this information is by its nature extremely confidential and commercially sensitive. Businesses in a competitive market do not share production cost information with each other because

¹ Debenham filed a motion to intervene in this proceeding on Friday, February 22, 2008 and apparently served its comments on February 25, 2008. Debenham's motion to intervene is pending but has not yet been granted. In light of the Commission's expressed interest in expediting consideration of the Amended Petition (see ALJ Ruling shortening period for comments dated February 14, 2008), FCE is filing its response to Debenham's comments regarding FCE's motion for protective order now rather than waiting for a ruling on the motion to intervene.

such data is a key consideration in production, pricing and sales strategies. The Commission has long recognized and honored the need for companies to protect data of this nature, for obvious reasons.²

Debenham surprisingly questions this well-established policy. First, Debenham suggests that FCE's sworn affidavit stating that the company's production cost data is proprietary and sensitive is not a "valid legal reason" justifying confidential treatment.³ Second, Debenham theorizes that the lack of confidentiality provisions in the Self-Generation statute and Handbook mean that the Commission cannot issue an order protecting FCE's data.⁴ Third, Debenham takes issue with FCE's citation of multiple grounds upon which the Commission routinely protects similar data when provided in Commission proceedings by entities regulated by the Commission.⁵ Debenham concludes by arguing that treating production cost data as confidential would be "bad precedent."

It is difficult to respond to Debenham's first argument because it is hard to understand how a consultant to private sector renewable energy companies could conceivably wish to set a Commission precedent favoring disclosure of closely held and competitively sensitive information regarding the cost of producing, installing and treating the fuel for power production facilities that are being produced and sold in a strongly competitive emerging market. It is axiomatic in a competitive business

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² See e.g. D. 05-06-008 (Commission order protecting business-sensitive equipment and services cost data of telecommunications company); 03-06-026 (Commission order protecting commercially sensitive generator pricing information); D.02-06-062 (Commission order protecting commercially sensitive competitive information contained in PPAs); D. 00-10-030 (Commission order protecting portion of declaration attached to cogenerator's comments in proceeding addressing generator avoided cost pricing); D.00-03-047 (Commission order granting protective order covering financial information of competitive local carriers).

³ Debenham Comments at 5.

⁴ Id.

⁵ Id.

environment that revealing actual and forecast production and installation costs to competing companies would be a harmful and self-destructive act. Fortunately, the Commission clearly understands this, and should follow its own precedents in granting FCE's request to protect this very limited quantity of commercially sensitive information.

Debenham's reference to the SGIP Handbook and statute is simply misplaced. This proceeding does not concern an SGIP customer application, but rather a petition for modification submitted by a non-jurisdictional company that produces and sells generating systems. Whether or not the SGIP process includes a process for seeking confidential treatment of data is immaterial because FCE has submitted a motion under Rule 11.4 of the Commission's Rules of Practice and Procedure – not under the SGIP process that is used by customers.

Finally, Debenham's claim that FCE has inadequately or incorrectly established a legal basis for confidentiality in applicable statutes or Commission rules should similarly be rejected, as this confusing attempt to criticize FCE for citing alternative grounds does not in the end establish that FCE is not entitled to confidential treatment of the data in question. General Order 66-C plainly and unambiguously authorizes the Commission to protect from public disclosure "[r]ecords or information of a confidential nature furnished to or obtained by the Commission." General Order 66-C includes within the definition of records or information of a confidential nature both "[r]eports, records, and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage" (GO 66-C.2(2-22)) and "[i]nformation obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (GO 66-C.2(2-28)) As Debenham

seems to acknowledge, FCE is not itself a regulated entity. Nonetheless, as an entity voluntarily submitting confidential data, FCE is entitled to at least the same protection afforded the regulated utilities. It certainly would not be in the "public interest" to reveal commercially sensitive cost data of one market participant to other market participants, given the Commission's often stated interest in encouraging private sector competition as a means of encouraging innovation and lowering costs.

FCE's motion stated as an additional legal basis for its motion the Commission's policy of protecting the market sensitive information of regulated entities, and Government Code § 6254.7(d), which expressly excludes "trade secrets" from the definition of "public records" under the California Public Records Act (Gov't Code § 6250 *et seq.*). With respect to the latter, Debenham does not dispute that FCE's production cost data constitute "production data or compilation of information" used to produce a product or service "having commercial value and which gives its user an opportunity to obtain a business advantage over competitors who do not know or use it." However, Debenham seems to fault FCE's motion for not also citing Government Code section 6254(k) and Evidence Code Section 1060. FCE believes that its motion provides more than adequate grounds upon which the Commission could issue a protective order. However, FCE certainly would not object to the Commission's reliance on these statutes as additional legal bases upon which to grant FCE's motion.

In conclusion, FCE asks the Commission to grant its reasonable request that the indicated cost figures in Attachment 1 to the Declaration of Jeff Cox (Appendix C of

FCE's February 8, 2008 Amended Petition for Modification) be treated as confidential information and protected from disclosure.

Dated: February 27, 2008

Respectfully submitted,

By: <u>/s/</u>

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PROOF OF SERVICE

I declare that:

I am employed in the County of Sacramento, State of California. I am over the age of eighteen years and am not a party to the within action. My business address is ELLISON, SCHNEIDER & HARRIS; 2015 H Street; Sacramento, California 95811-3109; telephone (916) 447-2166.

On February 27, 2008, I served the attached *Reply of FuelCell Energy, Inc. to Debenham Energy, LLC Comments Opposing FCE Motion for Leave to File Confidential Material Under Seal and for Protective Order* by electronic mail or, if no e-mail address was provided, by United States mail at Sacramento, California, addressed to each person shown on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on February 27, 2008, at Sacramento, California.

 /s/	
Karen A. Mitchell	

Service Lists for R.04-03-017 and R.06-03-004 February 27, 2008

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